

Strategies to Tackle Online IP Infringement in Brazil

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With a population of approximately 215 million, Brazil is the largest economy in Latin America today, ¹ with the fifth highest number of internet users as of January 2022. ² Following the trend throughout the world, Brazil has recently had extensive growth in national online sales, and companies in various industries have been investing heavily in technology and local e-commerce sales. In light of this, not only are companies required to maintain a strong online presence in Brazil, but they also need to carefully watch and fight against all the external threats that may affect their digital brand reputation.

However, with the dramatic increase in brand infringements and with bad actors maliciously using companies' intellectual property (IP) without authorization through sophisticated methods, establishing and maintaining a positive digital brand reputation can be easier said than done. The truth is that companies of all sizes are struggling, and their patents, trademarks, copyrights, designs, and other forms of IP are under attack daily in the virtual world.

As one of the most challenging places to do business and yet a vital gateway for connecting with its neighboring countries, Brazilian businesses have an enormous feat in developing an effective strategy to tackle this issue. But for companies that rise to the challenge, conquering and preserving a piece of this immense and tech-savvy consumer crowd can be a great investment for anyone doing business in Latin America.

The Growth of Online Sales in Brazil

In 2021, Brazilian e-commerce sales amounted to R\$161 billion (approximately US\$30 billion), a 27% increase from 2020. (3) In November 2021, e-commerce was almost 18% of Brazil's total retail sales, establishing a new record. (4) Additionally, online sales gained 12.9 million new consumers in Brazil in 2021, with a total of almost 400 million purchases. (5) Stimulated by the restrictions imposed due to the COVID-19 pandemic, 87.7 million Brazilian customers used e-commerce in 2021. (6) Furthermore, the frequency of purchases through e-commerce in Brazil increased by 71% in 2021. (7) In the first four months of 2022, Brazilian e-commerce sales amounted to R\$39.6 billion (approximately US\$7.5 billion), representing a 12.6% growth compared to the first trimester of 2021. (8)

In view of these figures, major players in e-commerce have been investing heavily in the country, and even small and medium-sized enterprises have been betting heavily on this trend. Consumer habits have changed, and e-commerce will only continue to develop, with an estimated growth of R\$174 billion (approximately US\$33 billion) for 2022. (9)

There are many positive aspects about these statistics, but with digital channels gaining importance, there also has been a notable increase in IP infringements in the virtual world. (10)

The Rise of Online IP Infringements in Brazil

In Brazil just as in other parts of the world, bad actors are using every tool at their disposal to illegally use IP for malicious purposes through several different ways, including counterfeiting, phishing, cybersquatting, parallel import, social media impersonation, copyright piracy, and other types of trademark and patent infringements. The total value of counterfeit/pirated products alone was about US\$1 trillion worldwide in 2013 and is expected to increase to approximately US\$3 trillion in 2022. (11)

Bad actors have become even more intense and sophisticated in their approaches, and abuse has expanded considerably to different platforms, such as marketplaces, social media, app stores, websites, and even Google Maps. Among the numerous damages caused, this type of infringement has the power to divert business, undermine the integrity and reputation of brands, reduce customer satisfaction, and, ultimately, affect sales and profits. Moreover, in the worst cases,

depending on the industry affected, it can even trigger serious damage to the health and safety of consumers.

Even IP owners who are aware of the risks associated with online brand abuse may be unaware of the magnitude of the problem. Some others may understand the issue, devoting some time and funds to curtail its effects, just to find out that infringements keep on growing. The reality is that trying to attack malicious actors without using the proper strategy will end up wasting time, resources, and funds, in a way that produces little or no change.

Crafting an Effective Online Brand Protection Strategy

In view of this challenging scenario, IP owners should strive to craft an effective strategy to act against the various forms of brand abuse, taking into account the particularities and different rules and complexities of each jurisdiction around the globe. In Brazil, a combination of the following approaches can be a game-changer to any business with a digital presence.

Ensure That the Relevant IP Rights Are Registered

Almost all the online marketplaces, social media, and other kinds of local platforms require some sort of registration in order to accept and effectuate a takedown request. Therefore, to effectively tackle online infringements in Brazil, companies should pursue IP protection locally.

Taking trademarks as an example, as a general rule, Brazil is a first-to-file country, and trademark rights are acquired upon registration, which gives the rights holder exclusive rights in the jurisdiction. ¹² Hence, it is advisable to file trademark applications with the Brazilian Patent and Trademark Office, making sure to take advantage of priority rights based on the Paris Convention if the Brazilian application is filed within six months from the filing date of the priority application.

Consider Local Rules and Exceptions to IP Rights

The first step an IP owner normally takes as soon as a potential infringement appears is to utilize the takedown procedures prescribed by the online platforms. Nevertheless, it is important to keep in mind that there are risks, and those risks include being sued for undue takedowns. For example, when a third party mentions a registered trademark with a mere informative purpose, and with no commercial purpose, the owner of the registration may not be able to prevent its use.

⑬ Thus, to make sure that you have a legally legitimate and prosecutable case against a potential target, it is indispensable to consider local rules and exceptions to IP rights. For that purpose, working closely with specialized local counsel in each designated country can make the difference between a successful strategy that drives an organization to effective results and a poor strategy that wastes resources and leads to an unwanted legal dispute.

Combine Legal Expertise with an Enforcement Tool

Whether a company is facing issues related to counterfeits, impersonation, gray market, cybersquatting, or other infringements, another important step in implementing a successful strategy to tackle bad actors is to find an IP software solution that can monitor your asset online and identify infringements whenever they occur. The right tool not only can help with monitoring and identifying potential infringing goods but also can contribute to the enforcement and takedowns. Again, it is important to look for a tool that has been tested and adapted to the local realities of each jurisdiction.

Create Bonds of Trust with Local Platforms

In Brazil, an important statute concerning IP infringement is the Civil Rights Framework for the Internet, also known as the Marco Civil da Internet or Brazilian Internet Law. ⑭ The main goal of the law is to establish an open, plural, and free environment for internet users. According to this law, an internet service provider may only be held liable for damages arising from third-party content if it fails to comply with a court order demanding the removal of content available at a specific URL. This means that, in general, internet service providers are not obliged to remove any infringing content unless the IP owner seeks the judiciary and obtains a court order. Such a requirement can be substantially different from the systems adopted by other countries, making the process significantly more expensive and time-consuming in some situations.

Notwithstanding the above, local practice shows that engaging with key platforms directly can be, in many cases, the best (and least expensive) approach to have links removed, especially in time-sensitive scenarios and in situations linked to fraud and counterfeits.

Mercado Libre, for example, which hosts the largest online commerce and payments ecosystem in Latin America, has developed a brand protection program that invites rights holders and their legal representatives to protect their entire IP portfolio. ⑮ It is a notice and takedown

procedure with a counter-notice process available in 18 countries in English, Spanish, and Portuguese. With its machine learning technologies, Mercado Libre can also learn from members' reports and proactively eliminate similar infringing listings.

It is worth mentioning that Mercado Libre recently teamed up with Tommy Hilfiger in a first-ever joint action against counterfeit sellers in Brazil. ¹⁶ The action identified 14 suspects, divided into three different groups, that used Mercado Libre's platform to sell counterfeit items.

In view of the above, it is highly advisable to develop a bond of trust with local platforms by signing up for the platform's brand protection program and communicating (in their own language, if possible) and collaborating with them to protect consumers.

Explore the Available Paths for Enforcement

If brand owners are to meet the threat of online infringement, they need to be able to act not only quickly but also proportionately. Depending on the violation, a simple platform-specific takedown request or cease and desist letter may simply not solve the issue. However, in these cases, other legal routes may be available to be explored.

In many cases related to registered domain names, for example, a SACI-Adm complaint (the administrative proceeding for the resolution of conflicts involving country code top-level domain (ccTLD) .br) has been shown to be a powerful and less expensive tool to fight malicious online actors. ¹⁷ Launched in October 2010 by the Brazilian domain name registry NIC.br, which is responsible for the registration and administration of local domain names, the SACI-Adm has been increasingly used by brand owners from different countries who are seeking a quick and efficient solution. Under SACI-Adm, an infringing domain name may be transferred or canceled by a panel within two to three months of the filing.

Another effective way to tackle bad actors in Brazil is through court actions. In Brazil, IP infringements can be pursued as a civil matter but also can be deemed a criminal matter in certain circumstances. Filing court actions not only can have a deterrent effect but also can send a message to the broader community, adding value in earning a reputation as a diligent protector of a brand. Moreover, preliminary and permanent injunctions are available and could be extremely useful, especially in cases related to online counterfeiting, social media impersonation, phishing, and fraud.

Conclusion

Considering the growing e-commerce landscape and the rise of online IP infringements in Brazil, it is important for businesses and companies to be vigilant and constantly develop new strategies against bad actors, always with careful harmonization with local practice. If IP owners are to meet the threat of online violations, they must be able to act quickly, effectively, and proportionately, and with minimal disruption to their internal teams. These strategies could turn out to be key not only to taking care of a brand's reputation, but also to preserving these sophisticated kinds of consumers who are emerging in this now more than ever online world.

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